

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7018**

**BILL NUMBER:** HB 1001

**NOTE PREPARED:** Jan 8, 2014

**BILL AMENDED:**

**SUBJECT:** Tax exemption for new personal property.

**FIRST AUTHOR:** Rep. Turner

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that a county income tax council may adopt an ordinance to exempt from property taxation any new business personal property (other than utility personal property) that is located in the county.

**Effective Date:** July 1, 2014.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary* - The business personal property tax returns for Pay 2013 were aged for ten years to simulate the change in gross AV, taking into consideration the effects of the 30% valuation floor and other adjustments, and assuming that taxpayers would not retire existing assets. Assuming that all counties adopt the exemption, over the ten year period, non-utility gross AV would decline by a minimum of \$2.4 B (out of a non-utility total gross AV of \$37 B). This amount is comparatively small because of the influence that the 30% floor has on the older, existing assets. If taxpayers retire older assets, then this AV reduction would be larger.

If all older assets are eventually retired, the maximum gross AV reduction over time could be as high as \$37 B (the current gross AV of non-utility business personal property). Corresponding net AV could decline by as much as \$31 B, after allowing for abatements, other deductions, and exemptions.

As new personal property is exempted from property taxation under this bill, property tax rates would increase. As a result, property taxes would begin to shift from owners of the exempt property to all other taxpayers and circuit breaker losses would rise. In addition, the levies of rate-controlled funds would be reduced. If the minimum estimated amount of gross AV is lost, then the overall tax shifts, circuit breaker losses, and rate-controlled levy losses could be minimal. However, if all of the non-utility personal property gross AV is eventually lost, then personal property taxpayers would save \$802 M, tax shifts to real property could be as much as \$276 M, circuit breaker losses could grow by \$428 M, and rate-controlled fund levies could fall by \$113 M. The final impact depends on county action and taxpayer behavior. County-level details of the estimated maximum impact appear at the end of this fiscal note.

Increased tax rates would also result in increased TIF revenue for real property TIFs. Revenue may rise or fall in personal property TIFs depending on the reduction in assessed value in the TIF allocation area vs. the tax rate increase.

The exemption could be effective as early as taxes payable in 2015. Taxpayers would not be required to file an application to receive the deduction.

The county income tax council currently exists in COIT-adopting counties and is comprised of the county and municipalities in the county. The votes on the income tax council are apportioned based on population where the county gets credit for the population in the unincorporated areas of the county. This bill would permit the same membership to adopt an exemption of all new non-utility business personal property, even if a county is not a COIT-adopting county.

*Additional Information* - According to the depreciation schedules from filed business personal property tax returns, the true tax value of new assets statewide was about \$3.7 B for taxes payable in 2013. This compares with the total true tax value of all assets in the depreciation schedule, statewide, of about \$30.6 B. (Some assets are not valued in the depreciation schedule. These include special tooling, commercial aircraft, and equipment not placed in service or permanently retired.)

Under current law and DLGF rule, business personal property is valued according to a depreciation schedule as specified in the rule. Most taxpayers list the cost of depreciable property in one of four “pools”, depending on the declared useful life of the property. A fifth pool is available for certain integrated steel mill and oil refinery/petrochemical property. Each pool has a different set of depreciation rates for each year of age of the property. The asset cost is multiplied by the appropriate “percent good” factor in the depreciation schedule to produce the total true tax value (TTV) of the assets. The TTV of all of a taxpayer’s depreciable property located in the same taxing district must be at least 30% of the total cost of the property (30% floor). The rule allows for special valuation of special tooling and for an adjustment for abnormal obsolescence of depreciable assets. Pool 5 filers are not subject to the 30% floor.

Each year as an asset ages, its cost is entered into a lower line on the depreciation schedule, which produces a lower true tax value for that asset (except in the second year). Many times, new property is acquired by the taxpayer and the addition of the new asset’s value offsets the decline in value of the existing assets. If new property is exempt under this bill, then the overall assessed value of personal property would begin to decline.

**State Agencies Affected:**

**Local Agencies Affected:** Local civil taxing units and school corporations in adopting counties.

**Information Sources:** LSA personal property database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.

**Estimated Maximum Impact Over Time  
Exemption for All New Non-Utility Business Personal Property Tax**

County	Net Tax Change After Circuit Breakers			Circuit Breaker Change	Rate-Cntrl Fund Levy	Gross Loss
	Personal Property	Real Property	Net Total All Property			
01 Adams	-3,734,680	1,566,770	-2,167,910	1,270,410	724,860	
02 Allen	-40,407,910	8,534,800	-31,873,110	25,271,790	4,843,430	
03 Bartholomew	-14,343,020	7,744,550	-6,598,470	4,875,470	1,968,820	
04 Benton	-637,920	375,180	-262,740	113,540	149,260	
05 Blackford	-1,772,980	353,420	-1,419,560	1,267,630	209,480	
06 Boone	-4,439,970	2,463,900	-1,976,070	1,057,630	574,120	
07 Brown	-167,430	135,250	-32,180	0	34,010	
08 Carroll	-1,398,920	598,800	-800,120	140,030	203,730	
09 Cass	-3,967,430	1,277,820	-2,689,610	1,889,390	603,630	
10 Clark	-10,336,930	2,839,170	-7,497,760	7,898,750	1,496,890	
11 Clay	-1,243,940	899,850	-344,090	94,300	243,660	
12 Clinton	-6,441,790	2,201,850	-4,239,940	3,296,860	923,670	
13 Crawford	-837,560	188,130	-649,430	505,390	112,490	
14 Daviess	-4,357,670	1,551,390	-2,806,280	803,500	630,410	
15 Dearborn	-2,769,920	1,563,210	-1,206,710	887,460	483,390	
16 Decatur	-6,419,030	2,262,850	-4,156,180	848,980	649,180	
17 DeKalb	-10,409,740	4,809,780	-5,599,960	3,900,140	2,207,500	
18 Delaware	-8,382,620	1,530,310	-6,852,310	5,834,350	1,238,460	
19 Dubois	-5,664,260	2,847,480	-2,816,780	1,318,720	1,154,810	
20 Elkhart	-24,210,710	5,355,410	-18,855,300	16,806,700	4,286,550	
21 Fayette	-1,736,540	395,850	-1,340,690	1,027,700	303,950	
22 Floyd	-5,358,890	2,952,400	-2,406,490	2,066,820	804,720	
23 Fountain	-1,658,730	789,680	-869,050	187,190	235,250	
24 Franklin	-663,620	439,040	-224,580	61,520	154,430	
25 Fulton	-1,587,060	1,086,040	-501,020	230,700	270,910	
26 Gibson	-13,465,630	4,024,090	-9,441,540	3,591,900	1,928,270	
27 Grant	-9,819,450	2,931,460	-6,887,990	4,992,210	1,124,870	
28 Greene	-1,317,710	633,000	-684,710	442,070	277,710	
29 Hamilton	-19,331,370	8,648,670	-10,682,700	9,090,680	2,604,200	
30 Hancock	-5,891,840	2,185,590	-3,706,250	1,923,650	880,410	
31 Harrison	-1,519,140	1,208,070	-311,070	3,240	297,850	
32 Hendricks	-12,853,280	4,709,060	-8,144,220	6,372,120	1,963,820	
33 Henry	-2,567,630	937,660	-1,629,970	1,174,350	411,680	
34 Howard	-30,200,400	5,227,990	-24,972,410	21,051,800	3,902,950	
35 Huntington	-3,723,920	1,447,350	-2,276,570	2,111,850	553,960	
36 Jackson	-6,136,090	3,715,820	-2,420,270	1,077,780	1,231,060	
37 Jasper	-2,077,830	1,565,280	-512,550	320	594,620	
38 Jay	-4,503,630	1,767,240	-2,736,390	1,723,310	753,870	
39 Jefferson	-2,687,960	1,348,660	-1,339,300	947,590	526,010	
40 Jennings	-2,740,720	926,600	-1,814,120	967,710	377,680	
41 Johnson	-10,094,850	3,054,750	-7,040,100	5,465,990	1,454,010	
42 Knox	-4,869,930	1,762,550	-3,107,380	2,856,450	668,200	
43 Kosciusko	-9,213,720	5,665,850	-3,547,870	1,730,310	1,728,000	
44 LaGrange	-2,031,580	1,319,460	-712,120	735,460	434,310	
45 Lake	-87,236,340	31,153,590	-56,082,750	69,524,350	8,707,450	
46 LaPorte	-9,696,760	5,369,880	-4,326,880	4,573,860	815,520	

**Estimated Maximum Impact Over Time  
Exemption for All New Non-Utility Business Personal Property Tax**

County	Net Tax Change After Circuit Breakers			Circuit Breaker Change	Rate-Cntrl Fund Levy	Gross Loss
	Personal Property	Real Property	Net Total All Property			
47 Lawrence	-3,791,440	1,344,340	-2,447,100	1,948,090		614,900
48 Madison	-12,346,340	2,044,290	-10,302,050	8,152,730		1,391,500
49 Marion	-141,659,470	27,392,230	-114,267,240	88,249,010		16,851,070
50 Marshall	-5,280,640	2,375,480	-2,905,160	2,528,830		813,690
51 Martin	-798,340	542,790	-255,550	72,350		190,080
52 Miami	-2,025,550	984,770	-1,040,780	681,860		385,760
53 Monroe	-6,628,380	4,586,680	-2,041,700	699,380		1,139,250
54 Montgomery	-8,656,680	4,330,230	-4,326,450	2,393,730		1,448,700
55 Morgan	-1,819,140	1,502,560	-316,580	0		577,010
56 Newton	-1,554,850	1,037,190	-517,660	241,050		266,170
57 Noble	-7,048,630	3,781,820	-3,266,810	2,140,340		931,490
58 Ohio	-184,660	131,960	-52,700	0		52,580
59 Orange	-1,422,330	1,305,760	-116,570	199,570		312,300
60 Owen	-992,570	329,720	-662,850	503,230		161,470
61 Parke	-418,690	274,470	-144,220	14,230		138,380
62 Perry	-2,431,110	470,660	-1,960,450	635,560		256,680
63 Pike	-1,053,700	558,920	-494,780	215,160		276,510
64 Porter	-20,345,260	9,046,250	-11,299,010	9,518,400		2,851,580
65 Posey	-10,001,540	4,270,740	-5,730,800	1,191,320		3,466,370
66 Pulaski	-722,230	488,030	-234,200	0		234,170
67 Putnam	-3,236,920	2,992,560	-244,360	1,231,450		1,019,280
68 Randolph	-2,763,840	1,044,720	-1,719,120	1,106,490		426,570
69 Ripley	-1,743,730	1,285,670	-458,060	24,220		430,640
70 Rush	-1,694,850	683,440	-1,011,410	505,790		241,880
71 St. Joseph	-32,762,590	13,011,830	-19,750,760	24,860,840		3,952,200
72 Scott	-2,657,610	900,810	-1,756,800	1,091,590		345,000
73 Shelby	-7,729,390	3,417,260	-4,312,130	2,523,390		842,910
74 Spencer	-6,195,900	1,361,750	-4,834,150	80,360		443,890
75 Starke	-1,118,360	701,700	-416,660	268,750		133,100
76 Steuben	-2,724,490	2,004,580	-719,910	294,790		453,880
77 Sullivan	-3,244,330	1,445,860	-1,798,470	1,086,270		722,810
78 Switzerland	-334,850	212,820	-122,030	6,640		114,780
79 Tippecanoe	-26,908,620	12,718,010	-14,190,610	13,277,360		4,370,270
80 Tipton	-1,783,060	1,012,630	-770,430	510,300		295,610
81 Union	-565,450	358,420	-207,030	71,630		136,880
82 Vanderburgh	-24,874,380	4,743,980	-20,130,400	17,409,670		2,825,280
83 Vermillion	-2,714,620	932,070	-1,782,550	1,085,350		676,450
84 Vigo	-15,317,800	2,822,440	-12,495,360	10,237,500		2,286,420
85 Wabash	-3,396,050	1,573,180	-1,822,870	655,660		530,120
86 Warren	-636,380	456,010	-180,370	17,710		162,950
87 Warrick	-7,144,380	4,888,080	-2,256,300	675,350		1,893,250
88 Washington	-1,566,360	819,030	-747,330	491,140		271,570
89 Wayne	-8,951,370	1,456,910	-7,494,460	6,582,410		1,007,170
90 Wells	-2,495,580	1,939,360	-556,220	26,140		461,620
91 White	-2,051,340	1,374,870	-676,470	327,940		422,900
92 Whitley	-3,343,970	1,424,710	-1,919,260	280,640		451,060
	<b>-802,066,820</b>	<b>276,747,140</b>	<b>-525,319,680</b>	<b>426,126,190</b>		<b>113,022,210</b>